

Message Text

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PAGE 01 ANTANA 00358 130712Z
ACTION EB-08

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C O N F I D E N T I A L ANTANANARIVO 0358

STADIS////////

E.O. 11652: GDS
TAGS: EAIR EXIM EGEN MA US
SUBJECT: EXIM FINANCING FOR MADAGASCAR PURCHASE OF BOEING 747

REFS: (A) 77 KINSHASA 10608, (B) 77 ANT 2290, (C) UU STATE
306840

1. DURING CONVERSATION WITH VERY WELL CONNECTED LOCAL BUSINESSMAN, ECONOFF WAS INFORMED THAT EXIM GUARANTEE FOR BOEING 747 FINANCING MAY FOUNDER BECAUSE OF ADDITIONAL REQUIREMENTS IMPOSED ON MADAGASCAR GOVERNMENT BY EXIM. WHILE SOURCE UNDERSTANDS REQUIREMENT FOR IRON-CLAD AIR FRANCE LEASE DURING COURSE OF LOAN, HE REPORTS THAT CERTAIN EXIM REQUIREMENTS APPEAR TO HIM, AND APPARENTLY TO HIS MADAGASCAR GOVERNMENT ASSOCIATES, AS UNREASONABLE, UNNECESSARY, AND POSSIBLY EVEN SILLY. IN PARTICULAR, HIS CONTACTS HAVE TOLD HIM THAT EXIM NOW REQUIRING GUARANTEE OF THE AIR FRANCE LEASE EVEN IN THE CASE THAT WAR IS DECLARED BETWEEN MADAGASCAR AND FRANCE. HE HAS ALSO HEARD GRUMBLINGS ABOUT REQUIREMENTS THAT MADAGASCAR GOVERNMENT FOLLOW USG ACCOUNTING PROCEDURES. SOURCE BELIEVES THAT THESE REQUIREMENTS ARE EXTREMELY AGGRAVATING TO MADAGASCAR GOVERNMENT AND THAT IF 747 SALE SHOULD FAIL DUE TO THESE REQUIREMENTS, THIS WILL FURTHER JEOPARDIZE OUR ALREADY POOR BILATERAL RELATIONS.

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2. CAN'T TELL FROM HERE HOW WELL OUR SOURCE IS INFORMED. HE USUALLY TAKES A PESSIMISTIC VIEW OF MADAGASCAR/US RELATIONS, GENERALLY MAINTAINING THAT US SHOULD BE MORE FORTHCOMING. HOWEVER, HE IS CORRECT CONCERNING POTENTIAL CONSEQUENCES OF FAILURE OF SALE OF B-747 TO GO THROUGH. IN VIEW OF IMPORTANCE WHICH MADAGASCAR HAS PLACED ON THIS PURCHASE--IT HAS IN FACT LET IT BE KNOWN

THAT PURCHASE IS ALREADY AN ACCOMPLISHED FACT--ITS FAILURE TO MATERIALIZE COULD HAVE SERIOUS REPERCUSSIONS ON OUR BILATERAL RELATIONS, MAKING ANY IMPROVEMENT IN THE NEAR FUTURE DIFFICULT, IF NOT IMPOSSIBLE. THEREFORE, WE HOPE THAT IF THERE IS A FAILURE, IT WILL BE FOR GOOD AND SUFFICIENT REASONS AND NOT FOR ONE WHICH MALAGASY COULD POINT TO AS BEING FRIVOLOUS, DISCRIMINATORY, OR UNREASONABLE.

3. ACTION REQUESTED: DEPARTMENT PLEASE PROVIDE FURTHER UPDATE OF PROGRESS ON EXIM GUARANTEE AND IN PARTICULAR INVESTIGATE WHETHER EXIM MAKING REQUIREMENTS ON MADAGASCAR GOVERNMENT WHICH IT DOES NOT NORMALLY MAKE ON OTHER GOVERNMENTS.BARRETT

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